

## Message Text

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ACTION NEA-09

INFO OCT-01 ARA-06 EUR-12 EA-06 ISO-00 SAB-01 AID-05

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

NSC-05 SS-15 STR-04 CEA-01 JUSE-00 PA-01 PRS-01

USIA-06 FEA-01 /105 W

----- 069794

R 100709Z APR 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2734

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BELGRADE

AMEMBASSY DOHA

AMEMBASSY HELSINKI

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MEXICO CITY

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TOKYO

USMISSION OECD PARIS

USMISSION EC BRUSSELS

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DEPARTMENT PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, ETRD, KU

SUBJECT: KUWAIT UNDERWRITING TRENDS

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REF: KUWAIT 1001 (NOTAL)

SUMMARY: REVIEW OF RECENT KUWAITI UNDERWRITING TRENDS SUGGESTS THAT ALTHOUGH KUWAITI UNDERWRITING OF EUROBONDS REMAINS BRISK, THERE HAS BEEN SOME DOWNTURN IN MANAGEMENT OF EUROBOND ISSUES. THIS MAY BE RELATED TO RECENT PUBLICITY OF ARAB BOYCOTT ASPECTS OF BOND ISSUE ACTIVITY. THERE ARE ALSO SUGGESTIONS OF GREATER CONSERVATISM IN GOK TOWARD PARTICIPATION OF KUWAITI INSTITUTIONS IN CERTAIN BOND ISSUES WHICH MAY ALSO STEM FROM BOYCOTT PROBLEM. SOME INCREASE IN KD BOND ISSUES SEEMS LIKELY. END SUMMARY.

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1. AS ADDRESSEES AWARE CONSIDERABLE PUBLICITY SUDDENLY SURROUNDED ARAB, PARTICULARLY KUWAITI, UNDERWRITING AND MANAGEMENT OF INTERNATIONAL BOND ISSUES FOLLOWING THE REVELATION THAT CERTAIN "PRO-ZIONIST", WELL ESTABLISHED INVESTMENT COMPANIES IN THE US AND EUROPE WERE EFFECTIVELY BEING EXCLUDED FROM PARTICIPATING IN MANAGEMENT CERTAIN ISSUES AS A RESULT OF THE APPLICATION OF THE ARAB BOYCOTT. WE HAVE REVIEWED INFORMATION AVAILABLE TO US TO SEE IF PUBLICITY AND POLITICAL PRESSURES THAT FOLLOWED HAVE HAD ANY DISCERNIBLE EFFECT ON KUWAITI UNDERWRITING PRACTICES, BEYOND TRENDS NOTED REFTEL.

2. REVIEW OF TOMBSTONES APPEARING IN LONDON FINANCIAL TIMES REVEALS FOLLOWING STATISTICS:

MONTH	EUROBOND ISSUES WITH KUWAITI PARTICIPATION	MANAGED BY KUWAITI FIRMS	DENOMINATED IN KDS
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1974

JANUARY	21	7	3
THROUGH OCTOBER			

NOVEMBER	4	2	
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DECEMBER	X8	5	1
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1975

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JANUARY	8	5	
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FEBRUARY	8	3	1
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MARCH	11	4	1
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TOTAL	60	26	6
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MONTHLY AVG 4 1.7 .4

3. IN EFFECT EUROMARKET WAS RELATIVELY QUIET FOR ABOUT A YEAR FOLLOWING OCTOBER WAR, AND THEN THERE WAS A BURST OF ACTIVITY WITH KUWAITI INSTITUTIONS PLAYING MAJOR ROLE. ARAB BOYCOTT FLAP OCCURRED IN EARLY 1975, AND IT APPEARS THAT ALTHOUGH KUWAITI UNDERWRITING STILL VERY ACTIVE, PROPORTION OF EUROBOND ISSUES MANAGED BY KUWAITI INVESTMENT COMPANIES MAY BE LESS THAN IN LATE 1974. AS ADDRESSEES AWARE KUWAITI FIRMS CAN PARTICIPATE AS UNDERWRITERS WITH BOYCOTTED FORMS BUT NOT AS CO-MANAGERS. NOR WILL KUWAITIS PARTICIPATE AS UNDERWRITERS IF BOYCOTTED FIRMS ARE MANAGERS. POSSIBLE THAT REDUCED ROLE OF KUWAITI COMPANIES AS MANAGERS OF EUROBOND ISSUES IN RECENT WEEKS IS RELATED TO FUROR OVER ARAB BOYCOTT.  
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4. WE THINK GOK PROBABLY BEING MORE CAUTIOUS IN GENERAL FOLLOWING BOYCOTT FLAP. WE UNDERSTAND MANAGERS OF \$25 MILLION PEMEX EUROBOND ISSUE HAVE BEEN SEEKING KUWAITI CO-MANAGER, BUT NEGATIVE SIGNALS ARE BEING SENT FROM MINISTRY OF FINANCE. GIVEN PETROLEUM DEVELOPMENTS IN MEXICO AND STANDING OF PEMEX IN MEXICO, WE WOULD HAVE THOUGHT KUWAITIS WOULD BE INTERESTED IN CO-MANAGING THIS ISSUE. MORE CONSERVATIVE THAN USUAL ATTITUDE, COULD REFLECT CONCERN THAT PEMEX ISSUE WOULD BE ONE ATTRACTING MORE THAN USUAL ATTENTION AND THEREFORE SUBJECT TO BOYCOTT-RELATED POLITICAL PRESSURES.

5. THERE IS ALSO SOME EVIDENCE OF INCREASING PREFERENCE WITH DIRECT PLACEMENTS AND KUWAITI DINAR-DENOMINATED ISSUES. RECENT PEKEMA OY (FINLAND) AND AUTOPISTAS (SPAIN) KD ISSUES WERE SUCCESSFULLY PLACED. CURRENTLY WE UNDERSTAND YUGOBANKA (YUGOSLAVIA) KD7 MILLION ISSUE BEING DISCUSSED, ALTHOUGH, SUR-  
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PRISINGLY, IT ALSO APPARENTLY IS RUNNING INTO SOME PROBLEMS WITH MINISTRY OF FINANCE. INTERESTING FEATURE OF KD ISSUES IS THAT LOCAL INVESTMENT COMPANIES CAN PLACE THEM IN KUWAIT WITH BROADER GROUP OF PURCHASERS INCLUDING PRIVATE INDIVIDUALS. NON KD ISSUES TEND TO BE SOLD MAINLY TO GOK ITSELF. THUS SITUATION NOT AS MONOPSONISTIC WHERE KD ISSUES INVOLVED.  
STOLTZFUS

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## Message Attributes

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